

Economic Price Adjustment (EPA) Clauses

- Guidance for EPA's
 - FAR 16.203/DFARS 216.203
 - Provide description/application/clauses for Fixed-Price Contracts with EPA
 - HQ AFMC/PKP policy letters
 - Provide implementing instructions regarding indexes
 - Local guidance--WR Contracting Handbook
 - Requires that EPA clauses be forwarded to PKPF for review

Economic Price Adjustment (EPA) Clauses

- Provide refresher training on local guidance for EPA's
 - PKPF Bulletin, entitled EPA's, dated 28 Jan 03
 - Contracting Handbook
 - HQ AFMC/PKP letter, entitled "Prospective EPA Clauses," dated 1 Dec 2000

Economic Price Adjustment (EPA) Clauses

- PKPF Bulletin, dated 28 Jan 03
 - Provides clarification regarding the naming of proprietary indexes in EPA clauses:
 - If the price will be adjusted ***retrospectively***, the EPA clause should not refer to proprietary indexes (Global Insight,) rather generic indexes (Bureau of Labor Statistics) should be used
 - If the price will be adjusted ***prospectively***, the EPA clause will refer to proprietary indexes _

Economic Price Adjustment (EPA) Clauses

- Two things to keep straight:
 - (1) Is the EPA clause ***retrospective*** or ***prospective***?
 - (2) What is the **basis** for the indexes used in adjusting contract costs and named in the EPA clause?
Historical/Forecast

Economic Price Adjustment (EPA) Clauses

- **Retrospective EPA's**
 - Most common type
 - By definition, they are written to adjust contract costs by evaluating costs from a given point and looking back historically at what has occurred to the costs.
 - Historical indexes, such as Bureau of Labor Statistics, are appropriate to evaluate past costs.

Economic Price Adjustment (EPA) Clauses

- **Prospective EPA's**
 - Seldom used
 - By definition, they are written to adjust contract costs in the future and require the use of “economic ***forecast*** data.”
 - ***Forecast*** data is provided by companies such as Global Insight.
 - Therefore, it is appropriate to name the proprietary forecast for a generic index.

Economic Price Adjustment (EPA) Clauses

- **Basis** of indexes used
 - Example: **AHE 737NS for Computer, Data Processing Services** is one of many generic indexes tracked by Bureau of Labor Statistics (BLS.)
 - Global Insight will use these same generically-named indexes in providing their forecasting services.
 - The index itself is not proprietary, but the escalation factors used by Global Insight in their forecast is proprietary.

Economic Price Adjustment (EPA) Clauses

- Conclusion...
 - When writing a ***retrospective*** EPA clause, do not refer to proprietary indexes, instead, referenced indexes should be generic ones provided by Bureau of Labor Statistics. Remember, retrospective EPA's adjust costs by evaluating historical costs (BLS.) BLS does not provide projected (forecast) data.

Economic Price Adjustment (EPA) Clauses

- Conclusion...
 - When writing a ***prospective*** EPA, use of an economic forecast is necessary, and those forecasts are only provided by a contractor such as Global Insight.
 - Therefore, the naming of a proprietary forecast for a generic index is utilized and appropriate in the EPA clause.